INFORMATION BULLETIN

2009-7

November 27, 2009

Temporary increase in the lodging tax in the Montréal tourist region to facilitate the return of the Canadian Grand Prix

The government has set up a tourist partnership fund to strengthen and sustain tourist promotion and development in Québec. The fund is financed in part by a lodging tax applicable to each accommodation unit rented in a sleeping-accommodation establishment located in a tourist region of Québec that makes such a request of the government through its regional tourist association (RTA).

The revenue generated by this tax, after deducting the costs of its administration, are remitted to the participating regions and the amounts thus remitted are used in accordance with the terms and conditions agreed to in a memorandum of understanding between the ministère du Tourisme and the RTAs of these participating regions.

RTAs that want the lodging tax to apply in their territory can choose between a specific tax of $2 per overnight stay or an *ad valorem* tax of 3% of the price of each overnight stay. Currently, the 3% *ad valorem* tax applies in the Montréal tourist region.[1]

To facilitate the return of the Canadian Grand Prix to Montréal, the ATR de Montréal is prepared to contribute financially to this event for the next five years, in view of the significant economic spinoffs it will generate for this tourist region. For the purposes of this financing, it is asking the government to raise the lodging tax applicable in its territory by 0.5%.

Accordingly, the lodging tax will rise temporary from 3% to 3.5% in the Montréal tourist region, for the period from February 1, 2010 to January 31, 2015.

However, where a customer acquires an accommodation unit from a person who acquired the unit from another person solely to re-supply it for a price, the lodging tax will not be 3.5% of the price of each overnight stay but rather $3.50 per overnight stay. In such a case, the application of a specific tax of $3.50 instead of an ad valorem tax of 3.5% enables the lodging tax pre-collection system to be applied, ensuring the direct nature of the tax while simplifying its administration entrusted essentially to operators of sleeping-accommodation establishments.

Accordingly, the operator of a sleeping-accommodation establishment located in the Montréal tourist region will have to collect or pre-collect the 3.5% or $3.50 lodging tax, as the case may be, regarding an accommodation unit rented in his establishment that he invoices after January 31, 2010 for occupation after that date.

---

1 The 3% *ad valorem* tax also applies in Québec and Gaspésie tourist regions.

Finances Québec

However, the operator of a sleeping-accommodation establishment will not have to pre-collect the $3.50 tax in respect of accommodation units billed to a travel intermediary where the price of these units has been set under an agreement reached before February 1, 2010 between the operator and the intermediary, and their occupation by tourist customers takes place between January 31, 2010 and November 1, 2010. In such circumstances, the operator will continue to be required to pre-collect the existing $3 tax.

For information on the subject of this information bulletin, contact the Secteur du droit fiscal et de la fiscalité at 418 691-2236.

The French and English versions of this bulletin are available on the website of the ministère des Finances at: www.finances.gouv.qc.ca

Paper copies are also available, on request, from the Direction des communications by calling 418 528-9323.